Highlights

Overview

This issue of the *Natural Gas Monthly* contains estimates through February 1999 for many natural gas data series at the national level. Estimates of national natural gas prices are available through November 1998 for most series. A new methodology for estimating natural gas wellhead prices has been developed (see Note 8 in Appendix A) and will be used beginning with this issue. Table 4 reflects the application of this new methodology beginning with the price estimate for January 1999.

Highlights of the natural gas data contained in this issue are:

- The level of working gas in underground natural gas storage facilities is estimated to be 1,678 billion cubic feet at the end of February 1999, 18 percent higher than a year ago.
- Residential and commercial natural gas consumption through February 1999 are each estimated to be 9 percent above the levels of 1998. However, relatively warm weather in early 1998 had dampened the demand for natural gas for space heating needs.
- The cumulative average natural gas wellhead price for January through November 1998 is estimated to be $1.98 per thousand cubic feet, 15 percent below that of 1997.

Supply

Ample supplies that characterized the natural gas market in 1998 have continued into early 1999. Natural gas production is estimated to be 1,487 billion cubic feet in February 1999, or 53.1 billion cubic feet per day (Table 1). Cumulatively for January and February, natural gas production is estimated to be 3,105 billion cubic feet (Figure HI1). Both the February level and the cumulative levels are virtually the same as in 1998. Net natural gas imports are also running even with those of last year. Net imports in February 1999 are estimated to be 236 billion cubic feet, compared with 237 billion cubic feet in February 1998.

Supplies of working gas in underground storage facilities remain plentiful with 1 month remaining in the heating season (November through March). The level of working gas at the end of February 1999 is estimated to be 1,678 billion cubic feet (Table 10), 18 percent higher than a year ago and the highest level seen at this point in the heating season since February 1992 (Figure HI2). Still, cumulative net withdrawals of natural gas for January and February 1999 are estimated to be far above those of 1998 (39 and 30 percent higher, respectively), but are closer to the levels of early 1997 and 1996. Net withdrawals in February 1999 are estimated to be 390 billion cubic feet.

End-Use Consumption

Total end-use consumption of natural gas in early 1999 is running approximately 4 percent ahead of the level in 1998. Cumulative consumption for January and February in the weather-sensitive residential and commercial sectors is estimated to be 9 percent above that of 1998 in both sectors (Figure HI3). However, cumulative residential consumption is actually below that of both 1997 and 1996, and cumulative commercial consumption is within 2 percent of the levels for those years. For just the month of February 1999, residential consumption is estimated to be 727 billion cubic, 6 percent higher than in 1998, and commercial consumption is estimated to be 425 billion cubic feet, 9 percent higher than in 1998 (Table 3).

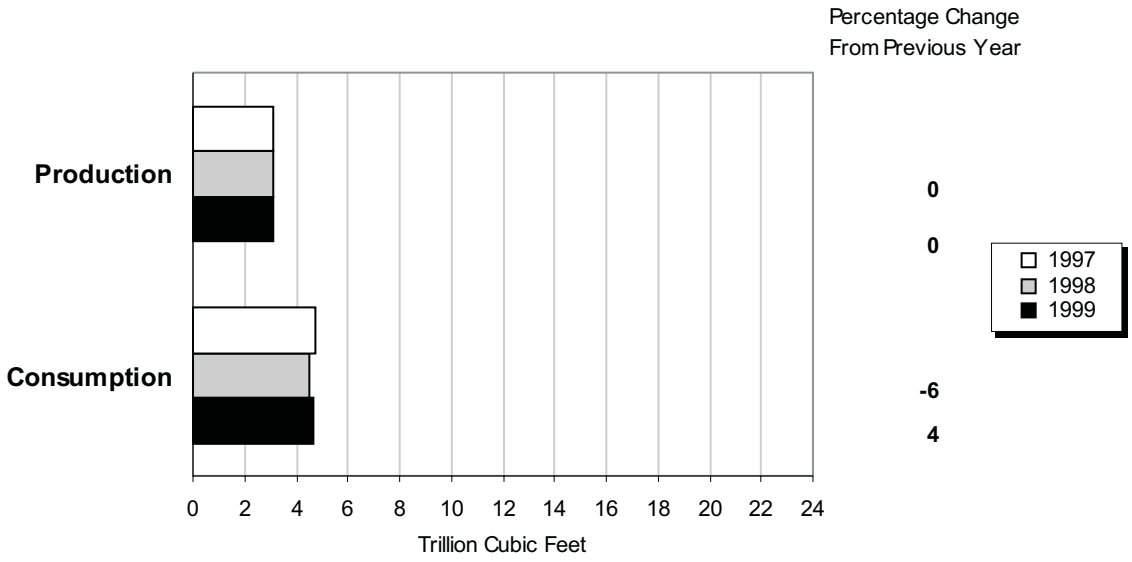
Consumption of natural gas by industrial users in February 1999 is estimated to be 697 billion cubic feet, 4 percent lower than in February 1998. Cumulatively for the year, industrial consumption is approximately 3 percent lower than in 1998.

Information on natural gas consumption by electric utilities is available only through November 1998. Cumulatively in 1998, electric utilities consumed an estimated 3,072 billion cubic feet of natural gas, 11 percent more than during the same period in 1997. The year 1998 was only the second year in this decade that electric utility consumption exceeded 3,000 billion cubic feet, an event that had been common prior to the mid-1980s.

Prices

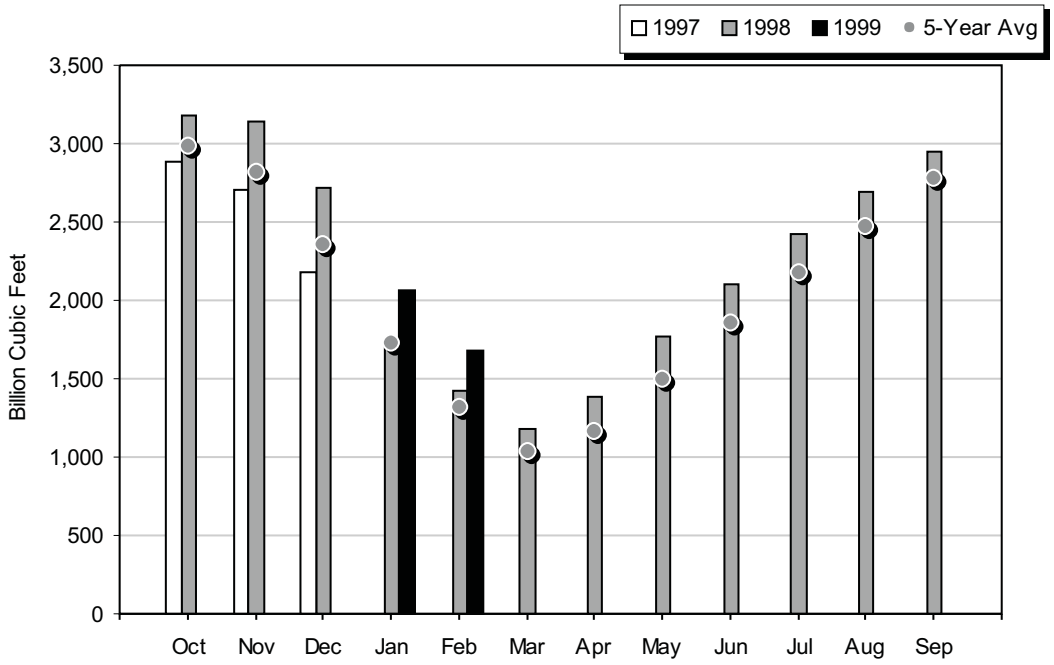
Cumulative average prices for several natural gas price series in 1998 are estimated to be at least 10 percent below those of 1997 according to the most recent data available through November (Figure HI4). The exceptions are the residential and commercial sectors, which are only 1 and 5 percent lower, respectively. Cumulatively through November, the average natural gas wellhead price in 1998 is estimated to be $1.98 per thousand cubic feet, 15 percent lower than in 1997 for the same period (Table 4). Ample natural gas supplies have contributed to relatively lower prices throughout 1998. The average city gate price is estimated to be $3.13 per thousand cubic feet through November 1998, 13 percent lower than in 1997.

Figure HI1. Natural Gas Production and Consumption, January-February, 1997-1999



Source: Table 2.

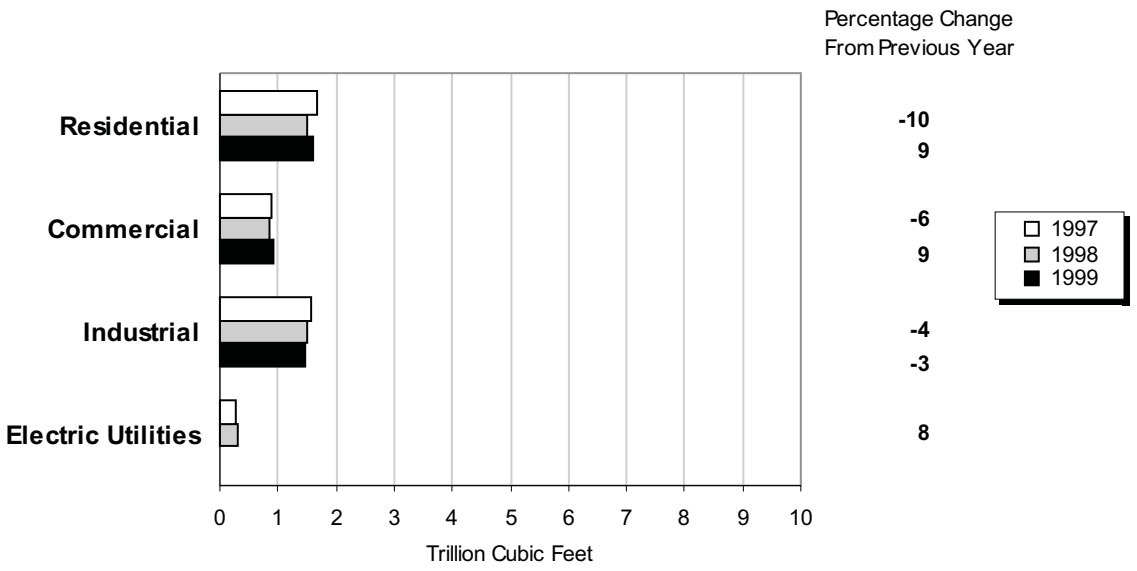
Figure HI2. Working Gas in Underground Storage in the United States, 1997-1999



Note: The 5-year average is calculated using the latest available monthly data. For example, the December average is calculated from December storage levels for 1994 to 1998 while the January average is calculated from January levels for 1995 to 1999. Data are reported as of the end of the month, thus October data represent the beginning of the heating season.

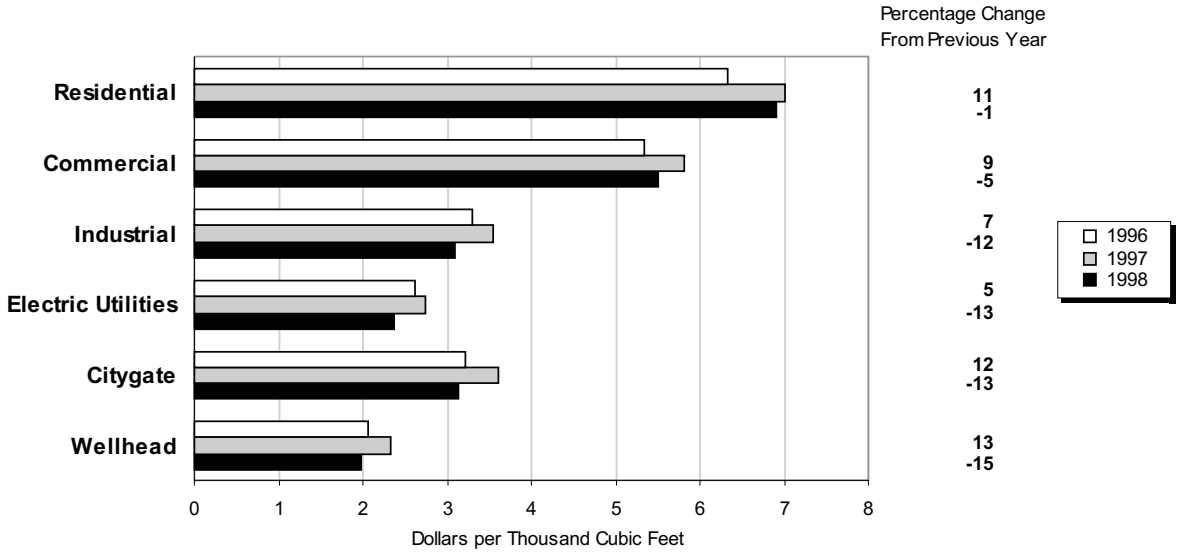
Source: Form EIA-191, "Underground Natural Gas Storage Report," Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition," and Short-Term Integrated Forecasting System.

Figure HI3. Natural Gas Delivered to Consumers, January-February, 1997-1999



Note: The reporting of electric utility deliveries is 3 months behind the reporting of other deliveries.
Source: Table 3.

Figure HI4. Average Delivered and Wellhead Natural Gas Prices, January-November, 1996-1998



Note: Commercial and industrial average prices reflect onsystem sales only. The reporting of electric utility prices is 1 month behind the reporting of other prices.
Source: Table 4.

The average price paid by the industrial sector in 1998 is estimated to be $3.10 per thousand cubic feet through November 1998, 12 percent below the 1997 price for the same period.[1] For electric utilities, where data are available only through October, the average price is estimated to be $2.38 per thousand cubic feet, 13 percent below the 1997 level. Residential and commercial sector prices through November 1998 are estimated to be $6.91 and $5.50 per thousand cubic, respectively.

Natural gas futures settlement prices through mid-February 1999, for the nearby month contract at the Henry Hub, were at least $0.20 per million Btu below those of 1998 for the same period (Figure HI5). During the first 3 weeks of February, daily prices generally were $0.40 to $0.50 per million Btu lower. The futures price for the March contract settled at $1.745 per million Btu on February 19; the contract will close on February 25. In 1998, the March contract closed at $2.286 per million Btu.

Figure HI5. Daily Futures Settlement Prices at the Henry Hub

Note: The future price is for the nearby month contract, that is, for the next contract to terminate trading. Contracts are traded on the New York Mercantile Exchange. April 1is the beginning of the natural gas storage refill season. November 1 is the beginning of the heating season.

Source: Commodity Futures Trading Commission, Division of Economic Analysis.

1 End-use prices in the residential, commercial, and industrial sectors are for onsystem gas sales only. While monthly onsystem sales are nearly 100 percent of residential deliveries, in 1998 they have been from 47 to 72 percent of commercial deliveries and only 13 to 17 percent of industrial deliveries (Table 4).